

# KASNEB

## DCM LEVEL I

### FUNDAMENTALS OF CREDIT MANAGEMENT

MONDAY: 21 November 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

#### QUESTION ONE

- (a) Outline four risks of “cash-in-advance” payment to a buyer. (4 marks)
  - (b) Describe five characteristics of a valid mortgage. (5 marks)
  - (c) Explain five methods of enhancing the relationship between the sales and credit departments. (5 marks)
  - (d) Examine three differences between “hire purchase” and “instalment system”. (6 marks)
- (Total: 20 marks)**

#### QUESTION TWO

- (a) Describe four ways of correcting inaccurate invoices. (4 marks)
  - (b) Summarise three types of credit facilities available in consumer credit. (6 marks)
  - (c) Enumerate five disadvantages of using salesmen for debt collection. (5 marks)
  - (d) Explain five debt collection tools used in credit management. (5 marks)
- (Total: 20 marks)**

#### QUESTION THREE

- (a) Highlight four benefits of effectively managing the accounts receivable. (4 marks)
  - (b) Explain five techniques that could be used to mitigate credit card fraud. (5 marks)
  - (c) Factoring is a debtor finance method that has been taken up by many organisations. Analyse five benefits of factoring to an organisation. (5 marks)
  - (d) Explain the following terms as used in export credit:
    - (i) Arbitrage. (2 marks)
    - (ii) Clean bill of lading. (2 marks)
    - (iii) Document against acceptance. (2 marks)
- (Total: 20 marks)**

#### QUESTION FOUR

- (a)
    - (i) Outline four characteristics of a limited company. (4 marks)
    - (ii) Analyse four documents required by financial institutions before extending credit facilities to a limited company. (8 marks)
  - (b) Enumerate four roles of a good quality accounts receivable software. (8 marks)
- (Total: 20 marks)**

#### QUESTION FIVE

- (a) Outline six types of disputes that could be handled by the credit department in an organisation. (6 marks)
  - (b) Analyse three contents of a complete file of summons that could be important in proving a claim. (6 marks)
  - (c) Evaluate four precautions that should be taken into account by the credit department when using the internet as a debt collection tool. (8 marks)
- (Total: 20 marks)**

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